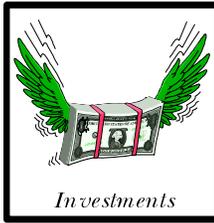


Facts for Consumers



Wealth- Building Scams



Federal Trade Commission Toll-free 1-877-FTC-HELP
www.ftc.gov For the Consumer

Produced in cooperation with the
North American Securities Administrators Association

November 1996

Perhaps you've seen infomercials—program-length TV commercials—touting easy ways to make money in real estate, or to get low-interest government loans or grants to start a new business or go to college. Maybe you've seen advertisements in the classified section of newspapers or magazines promising “big money” business opportunities or work-at-home schemes. Companies behind these infomercials and print ads often claim that by using their products and services, you can learn how to increase your wealth or start a business, sometimes from the comfort of your home.

Some infomercials and other advertisements may encourage you to purchase program materials, such as books, audio and video tapes, or computer hardware and software. The materials can range in price from less than \$100 to several thousand dollars. Some promoters even claim to include a toll-free telephone consulting service with your purchase and offer a money-back guarantee.

The Federal Trade Commission (FTC) knows these claims sound too good to be true. The fact is that many of them are. The FTC investigates companies that make false, misleading, or unsubstantiated claims about wealth-building and business opportunity programs, and has found a pattern in the sales pitches that could tip you off to a scam.



The Sales Approach

Companies often use infomercials to promote their wealth-building programs and merchandise. These infomercials have the look, feel, and length of real TV programs. They often imitate the format of genuine talk shows or investigative consumer news programs. The products being sold often are discussed as part of the program and touted by paid “experts,” “moderators,” or “reporters.” The programs may last for 30 minutes, interrupted by advertisements for the show's products with ordering information. Infomercial promoters of wealth-building schemes claim that if you follow their methods, you can make substantial sums of money through real estate, investments and business opportunities, or get low-interest government loans or grants. These claims may be false, misleading, or unsubstantiated.



You're Invited!

Some of the infomercials and advertisements invite you to attend seminars where you can learn more about how to start a home-based business. More than likely, the seminar is a sales pitch. The smooth-talking salespersons may endorse the programs, materials, or services or use testimonials to illustrate what easy money you can make by using the promoter's products. Lured by the promises of easy success, you may invest in programs, materials, or services without much thought. Later you, like many others, may find that the

program or business opportunity was essentially worthless and that all you have are empty promises.

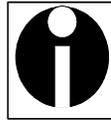


How Not to be a Victim

Consider the following precautions if you're tempted to respond to an infomercial.

- ◆ Be skeptical about "get rich quick" advertising claims.
- ◆ Ask companies for written substantiation for claims in their presentations, especially those about success rates.
- ◆ Be aware that "experts" who endorse a product often are paid by the advertiser.
- ◆ Be cautious about "testimonials." They may be paid for. They may **not** reflect the experience of most consumers.
- ◆ Be wary of purchasing a program if company representatives give you evasive answers or aren't willing to answer your questions at all.
- ◆ Before you buy, decide whether the price reflects a fair market value.
- ◆ Be wary of promises of free money or low-interest government loans. As a rule, these are available only in limited circumstances.
- ◆ Don't be pressured to purchase immediately. Good opportunities are not sold through high pressure tactics.

- ◆ Before you buy, ask about the company's qualifying requirements and refund policy.
- ◆ Check out the company with your local consumer protection agency, Better Business Bureau, and state Attorney General's office. They may be able to tell you if any unresolved consumer complaints are on file.



For More Information

The following resources have information about money management and business ownership.

- ◆ Your local library. Check out materials on personal finance and those geared toward the small business owner. You also might take some courses on these subjects at a local community college.
- ◆ The Small Business Administration and your state and local government. Ask about publications and programs they offer for new and potential business owners.
- ◆ For the college-bound, any college financial aid office. Ask about grants, loans and scholarships, and eligibility criteria.



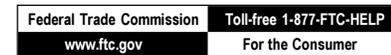
Where to Complain

If you have been victimized by a wealth-building or business opportunity promoter, contact your local consumer protection agency, Better Business Bureau,

and state Attorney General. You also may wish to contact the FTC about your complaint. Although the FTC cannot represent you directly in a dispute with a company, it can act when it sees a pattern of possible law violation. Contact the Consumer Response Center by phone: toll-free 1-877-FTC-HELP (382-4357); TDD: 202-326-2502; by mail: Consumer Response Center, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington, DC 20580; or by email: use the complaint form at www.ftc.gov.

In addition, the FTC publishes brochures that tell consumers about fraudulent sales practices. Titles include: **A Consumer Guide to Buying a Franchise, Infomercials, and Work-at-Home Schemes.**

For free copies of these brochures or a **Best Sellers**, a complete list of the FTC's consumer publications, contact the Consumer Response Center. You also can access FTC publications at www.ftc.gov.



Federal Trade Commission
600 Pennsylvania Avenue, NW
Washington, DC 20580